

AMENDED IN ASSEMBLY MARCH 31, 2009

AMENDED IN ASSEMBLY MARCH 5, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 111

Introduced by Assembly Member Niello
(Principal coauthor: Assembly Member Galgiani)
(Coauthors: Assembly Members DeVore, Harkey, Jeffries, and
Silva)
(Coauthors: Senators Cox, Denham, DeSaulnier, Huff, and Runner)

January 13, 2009

An act to amend Section 17144.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 111, as amended, Niello. Taxation: cancellation of indebtedness: mortgage debt forgiveness.

The Personal Income Tax Law conforms to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007, relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from a taxpayer's income if that debt is discharged after January 1, 2007, and before January 1, ~~2009~~ 2010, as provided. *The Emergency Economic Stabilization Act of 2008 extended the operation of those provisions to debt that is discharged before January 1, 2013.*

~~This bill would extend the operation of those provisions to debt that is discharged after January 1, 2007, and before January 1, 2012 provide further conformity to those federal acts, as provided.~~

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 17144.5 of the Revenue and Taxation
2 Code is amended to read:

3 17144.5. (a) Section 108 of the Internal Revenue Code, relating
4 to income from discharge of indebtedness, as amended by Section
5 2 of the Mortgage Forgiveness Debt Relief Act of 2007 (Public
6 Law 110-142), and as amended by Section 303 of the Emergency
7 Economic Stabilization Act of 2008 (Public Law 110-343), shall
8 apply, except as otherwise provided.

9 ~~(b) Section 108(a)(1)(E) of the Internal Revenue Code, as added~~
10 ~~by Section 2 of the Mortgage Forgiveness Debt Relief Act of 2007~~
11 ~~(Public Law 110-142), is modified by substituting the phrase~~
12 ~~“January 1, 2009” for “January 1, 2010” contained therein.~~

13 ~~(c) Section 108(a)(1)(E) of the Internal Revenue Code, as added~~
14 ~~by Section 2 of the Mortgage Forgiveness Debt Relief Act of 2007~~
15 ~~(Public Law 110-142), is additionally modified to provide that the~~
16 ~~amount excluded from gross income shall not exceed \$250,000~~
17 ~~(\$125,000 in the case of a married individual filing a separate~~
18 ~~return).~~

19 ~~(d) Section 108(h)(2) of the Internal Revenue Code, as added~~
20 ~~by Section 2 of the Mortgage Forgiveness Debt Relief Act of 2007~~
21 ~~(Public Law 110-142), is modified by substituting the phrase~~
22 ~~“(within the meaning of section 163(h)(3)(B), applied by~~
23 ~~substituting ‘\$800,000 (\$400,000’ for ‘\$1,000,000 (\$500,000’ in~~
24 ~~clause (ii) thereof)” for the phrase “(within the meaning of section~~
25 ~~163(h)(3)(B), applied by substituting ‘\$2,000,000 (\$1,000,000’~~
26 ~~for ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)” contained~~
27 ~~therein.~~

28 ~~(e)~~

29 (b) This section shall apply to discharges of indebtedness
30 occurring on or after January 1, 2007, and, notwithstanding any
31 other law to the contrary, no penalties or interest shall be due with
32 respect to the discharge of qualified principal residence
33 indebtedness during the 2007 taxable year regardless of whether
34 or not the taxpayer reports the discharge on his or her return for
35 the 2007 taxable year.

1 *SEC. 2. The Legislature finds and declares that the mortgage*
2 *debt tax relief allowed to taxpayers in connection with the*
3 *discharge of qualified principal residence indebtedness, as*
4 *described in this act, serves a public purpose and does not*
5 *constitute a gift of public funds within the meaning of Section 6 of*
6 *Article XVI of the California Constitution.*

7 *SEC. 3. This act provides for a tax levy within the meaning of*
8 *Article IV of the Constitution and shall go into immediate effect.*

9 ~~SECTION 1. Section 17144.5 of the Revenue and Taxation~~
10 ~~Code is amended to read:~~

11 ~~17144.5. (a) Section 108 of the Internal Revenue Code, relating~~
12 ~~to income from discharge of indebtedness, as amended by Section~~
13 ~~2 of the Mortgage Forgiveness Debt Relief Act of 2007 (Public~~
14 ~~Law 110-142), shall apply, except as otherwise provided.~~

15 ~~(b) Section 108(a)(1)(E) of the Internal Revenue Code, as added~~
16 ~~by Section 2 of the Mortgage Forgiveness Debt Relief Act of 2007~~
17 ~~(Public Law 110-142), is modified by substituting the phrase~~
18 ~~“January 1, 2012” for “January 1, 2010” contained therein.~~

19 ~~(c) Section 108(a)(1)(E) of the Internal Revenue Code, as added~~
20 ~~by Section 2 of the Mortgage Forgiveness Debt Relief Act of 2007~~
21 ~~(Public Law 110-142), is additionally modified to provide that the~~
22 ~~amount excluded from gross income shall not exceed \$250,000~~
23 ~~(\$125,000 in the case of a married individual filing a separate~~
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25 ~~(d) Section 108(h)(2) of the Internal Revenue Code, as added~~
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31 ~~163(h)(3)(B), applied by substituting ‘\$2,000,000 (\$1,000,000’~~
32 ~~for ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)” contained~~
33 ~~therein.~~

34 ~~(e) This section shall apply to discharges of indebtedness~~
35 ~~occurring on or after January 1, 2007, and, notwithstanding any~~
36 ~~other law to the contrary, no penalty or interest shall be due with~~
37 ~~respect to the discharge of qualified principal residence~~
38 ~~indebtedness during the 2007 taxable year regardless of whether~~
39 ~~or not the taxpayer reports the discharge on his or her return for~~
40 ~~the 2007 taxable year.~~

- 1 ~~SEC. 2.—This act provides for a tax levy within the meaning of~~
- 2 ~~Article IV of the Constitution and shall go into immediate effect.~~

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